



Media Release

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US Government urged NOT to follow Australia's lead with self-regulation of buy now pay later products

Australian consumer groups have warned the USA's chief consumer regulator, the Consumer Financial Protection Bureau (CFPB), about major flaws in the self-regulation of buy now pay later (BNPL) products.

Financial Counselling Australia (FCA) and the Consumer Action Law Centre (CALC) have made a submission to an inquiry into BNPL in the US, being conducted by the bureau.

CFPB is consulting industry, regulators and consumers about how to improve buy now pay later for US consumers.

"We have made a submission to the inquiry urging US regulators to learn the lessons from Australia and identify regulatory safeguards that will protect consumers. Our experience in Australia shows that industry self-regulation isn't working to curb financial harm", said Gerard Brody, CEO of CALC.

"Australia's self-regulation of the BNPL industry is woefully inadequate and is not protecting consumers," he said.

While it may escape legal definitions, BNPL is credit. The relationship between BNPL and growing financial hardship is clear.

"Financial counsellors are seeing increasing numbers of people experiencing hardship exacerbated by BNPL. Our recent survey found that 12 months ago 31% of financial counsellors said that half, more or all their clients had BNPL debts. This figure is now at 84%," said James Hunt, policy lead at FCA.

"The US has the chance to get this right and we hope this inquiry recommends a more robust regulatory framework for vulnerable Americans," he said.

Both groups commend the US Bureau for initiating this review and have reiterated their call for the Australian federal government to commission a similar review here.

"It's time the Australian government ordered an independent inquiry to find appropriate consumer safeguards to make these products safer for all," said Mr Brody.

“These providers should, at the very least, be required by law to assess whether a person can afford to repay a BNPL debt,” said Mr Hunt.

People in financial stress can contact a free and independent financial counsellor on 1800 007 007 or visit ndh.org.au.

To arrange an interview with Gerard Brody please contact Mark Pearce on 0413 299 567 or email mark@consumeraction.org.au.

To arrange an interview with James Hunt please contact Maura Angle on 0418 334 121 maura.angle@financialcounsellingaustralia.org.au.

Notes:

The joint submission can be found [here](#).

Financial counsellors are seeing increasing numbers of people experiencing hardship exacerbated by BNPL. People are too easily becoming overcommitted and struggling to make repayments. The recent FCA survey can be found [here](#).